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FOR SALE: Marriott restaurants

Hospitality conglomerate narrows focus to lodging and contract services

by Bill Carlino

WASHINGTON — The Marriott Corp. is jettisoning the company's fast-food and family restaurant divisions as part of a strategic restructuring plan to steer the company's future focus toward its "mega-markets" — lodging and contract services.

Marriott has hung "for sale" signs on 358 company-owned Roy Rogers units and 434 family restaurants, including Bob's Big Boy, Wag's, Bickford's, Howard Johnson's and Allie's.

It also plans to repurchase 10 million shares of stock and streamline the corporate staff via an undetermined number of layoffs.

"When you've grown as fast as we have over the past decade, certain segments will mature faster than others," explained chairman J. Willard Marriott Jr. during a recent New York press conference.

"The restaurants and the airline catering were sound divisions, but they have shown an increase of less than 10 percent over two years, and we're a committed-growth company."

J.W. Marriott Jr. added that over the past year, the $8 billion lodging and hospitality conglomerate had taken a "hard" look at the way its restaurant and airline catering divisions aligned with the company's long-term strategy.

Marriott has already divested its In-Flite division to a management-led investment group for about $570 million. The In-Flite suitors, led by former Marriott corporate executives Dan Altobello and Fred Malek, have since changed the company name to Caterair International.

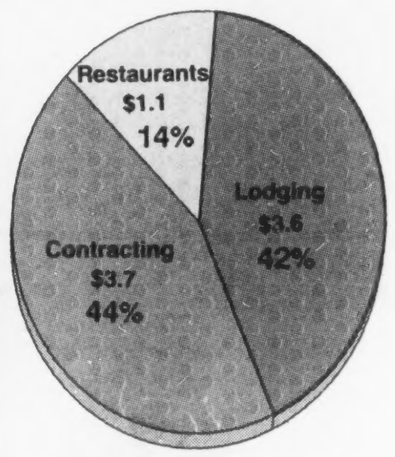
"We saw more aggressive pricing within the fast-food industry and lots of competition from convenience stores and take-out segments," Marriott continued. "It's tough to be No. 1 when you see 90-cent hamburgers advertised by McDonald's."

Although it will retreat from

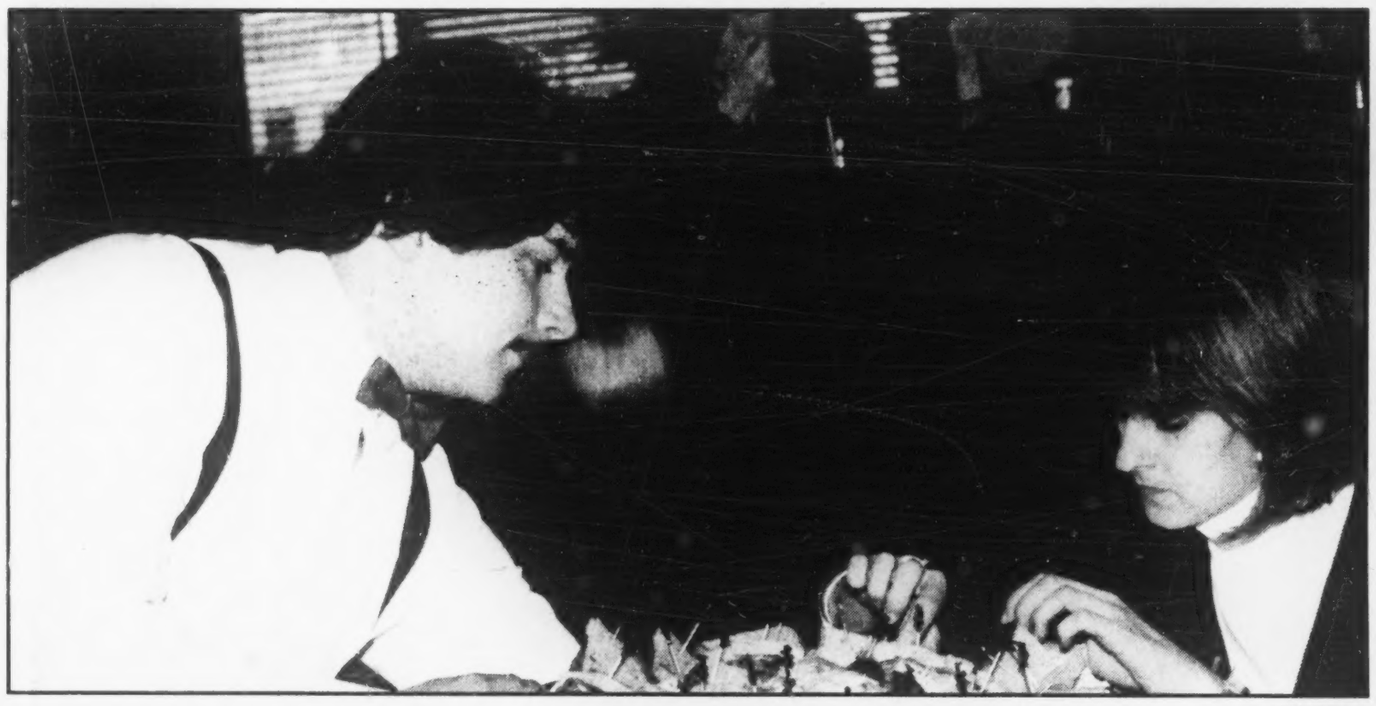
*(See **MARRIOTT**, page 65)*

J.W. Marriott Jr.

Marriott's revenues
(Fiscal 1989, projected, in $ millions)



* Source: Company reports



NRN Photo

A waiter serves pastrami sandwiches to a customer at the opening of Chicago's Carnegie Deli.

BRING ON THE SCHMALTZ!

Jewish-style delis stage comeback in Chicago

by Carolyn Walkup

CHICAGO — The Jewish deli niche, one of the few restaurant segments not saturated here, is filling up.

Years ago Chicago boasted quite a few Jewish delis — including Ashkenaz and Braverman's — that became local legends. But most of them either closed or relocated to certain suburbs as the Jewish population grew more affluent and left the old neighborhoods for newer ones.

Now the city is experiencing a return to the traditional Jewish deli of yore, with a few updates to suit today's more healthful, lighter and convenience-oriented eating trends. The newest of the genre are The Carnegie Deli & Restaurant, a licensed unit of the New York legend; Ciralsky's, owned by transplanted New Yorker Dennis

*(See **JEWISH DELIS**, page 1)*

Arby's, Shoney's fill top spots

by Jack Hayes

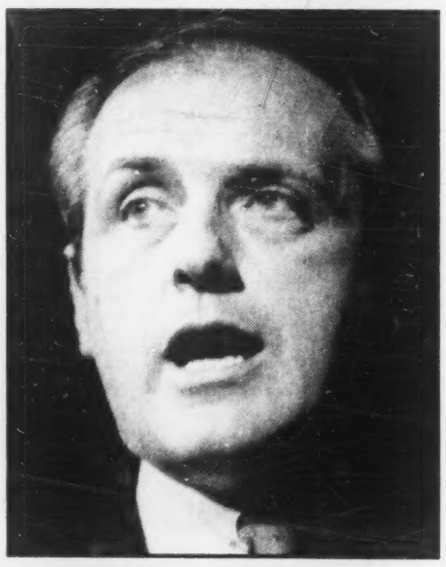
Belatti emerges from Arby's turmoil

ATLANTA — Surviving a four-month power struggle that tested his loyalty to franchisees, subordinates and two bitterly feuding bosses, Frank Belatti has emerged in triumph as president of the 2,300-unit Arby's chain.

But the former executive vice president of marketing — who walked the tightrope while fired president Leonard Roberts and owner Victor Posner yanked at the guy lines of the Arby's big top — promises no less excitement at the expanding roast-beef sandwich operation during 1990 and beyond.

"There are going to be more changes at Arby's over the next 12

*(See **BELATTI**, page 64)*



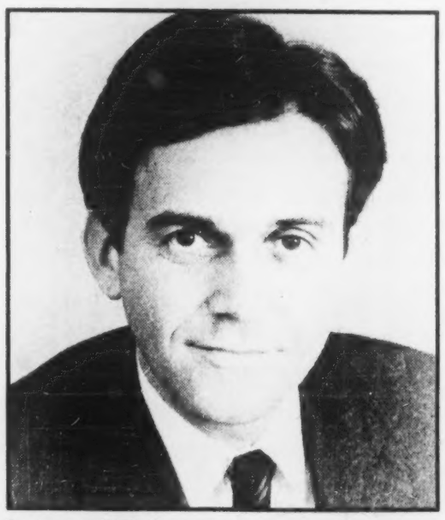
Frank Belatti

Roberts to set new pace at Shoney's

NASHVILLE, Tenn. — Leonard H. Roberts, who engineered a spectacular franchisee-driven turnaround in the 2,300-unit Arby's system over the last four years, is now pledging to expand 1,600-store Shoney's Inc. from its regional roots into a national chain with the same momentum.

"The Shoney's concepts are all very strong in their niches and ripe for national expansion," said Roberts, who takes over as president and chief executive officially today, replacing J. Mitchell Boyd, who left the company in a surprise

*(See **ROBERTS**, page 64)*



Leonard Roberts

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NEWS BRIEFS

Food costs leap, but menu prices creep in Nov.

WASHINGTON — Reduced supplies of dairy products accelerated food-cost increases during November, pushing the price of foodstuffs 4.6 percent above the tally for the same month of 1988, according to the U.S. Commerce Department.

During October food costs rose year to year by a more moderate 4.3 percent, Commerce's data indicated.

Yet menu-price inflation rose only marginally during November, to a year-over-year rate of 4.7 percent, according to the U.S. Labor Department. That compares with October's gait of 4.6 percent.

In contrast, grocery prices rose during November at a year-to-year rate of 6 percent — a sharp acceleration from the 5.4-percent pace that was clocked the prior month, the Labor Department reported.

Pizza Hut, franchisees write new contract

WICHITA, Kan. — Pizza Hut and its licensed operators have forged a new franchise agreement, ending a potentially divisive imbroglio that bore similarities to the friction in Pizza Hut's sister chain, Kentucky Fried Chicken.

The board of directors of the International Pizza Hut Franchisee Holders Association, the system's franchisee group, and Pizza Hut reached an agreement last month on a 20-year franchisee contract that could take effective as early as March.

Franchisee leaders said they would recommend adoption of the new contract when the system's licensees meet in late January. The new contract replaces the current agreement, which expires in 1996.

The franchisee association's approval of the new agreement is somewhat of a breakthrough in its relationship with Pizza Hut. About two months ago, following the lead of their colleagues at KFC, Pizza Hut's licensees agreed to stash away $3 million in case they took the company to court to secure a better agreement.

As was the case with KFC franchisees, Pizza Hut's franchisee leadership had previously expressed disdain over several company contract proposals and interpreted them as a threat against the future survivability of their business.

Domino's eyes ESOP; Monaghan says he'd stay

ANN ARBOR, Mich. — Domino's Pizza has retained two investment houses to explore the possibility of structuring an employee stock ownership program.

Thomas S. Monaghan, Domino's chairman and founder, said he would remain chairman if an ESOP is assembled. In September Monaghan announced that he was contemplating selling the company to devote more time to religious charities.

The two advisers — Goldman, Sachs and J.P. Morgan — expected to submit a report to Domino's in early 1990.

McDonald's tests fish platter, expands pizza trial

MILWAUKEE — As part of McDonald's ongoing effort to develop new dinnertime lures, four units here are testing "McFish Fry," a three-piece fish entrée that is available after 4 p.m.

The three breaded whitefish fillets are served with french fries, coleslaw and a choice of three sauces. The meal is priced at $3.19.

Meanwhile, the nation's largest restaurant chain has extended its pizza sales trial into three more cities, according to sources close to the company. The chain is also requiring that new units be large enough to house pizza ovens.

The burger giant is seeking to boost dinner traffic through product introductions.

Burger King adds 'club' to woo kids

MIAMI — Burger King is attempting to raid McDonald's stronghold by launching a comprehensive marketing campaign called Kids Club, which uses everything from newsletters to Teenage Mutant Ninja Turtles to lure children.

The program invites children to join the Kids Club by signing up at the local Burger King. The tykes receive a kit that includes a personalized membership card and letter, a Kids Club poster, an iron-on patch with the group's logo and a subscription to a newsletter that is published five times a year. Burger King said it would periodically launch promotions tied to the club. Several will feature premiums tied to such popular cartoon characters as Teenage Mutant Ninja Turtles and Beetlejuice. The club will also spotlight a cast of fictional members.

McDonald's is reputed to have a strong hold on the children's market.

Canada chops tax to 7%

OTTAWA — Bowing to intense lobbying, the Canadian government has lowered its proposed goods-and-services tax to 7 percent from 9 percent. The move will hold menu-price hikes to 7 percent when the levy goes into effect in 1991.

The Canadian Restaurant and Foodservice Association had estimated that a 9-percent rise would cost the trade $1 billion in lost sales. The nation's operators have griped that the new tax would steer more patrons toward the deli counters and frozen-food sections of grocery stores, which are exempted from the surcharge.

Under the national government's plan to reduce Canada's huge budget deficit, most retailers will be required as of Jan. 1, 1991, to tack a 7-percent sales tax onto virtually everything they sell.

Hardee's taps 3 for higher posts

ROCKY MOUNT, N.C. — In a wave of promotions, Hardee's has elevated Paul Lovin to chief operating officer, Edna Morris to senior vice president of human resources and John Merritt to senior vice president of public relations.

The regional burger chain bestowed the new titles shortly after chairman Jack Laughery relinquished the chief executive's title to president Bill Prather. Laughery stepped back from day-to-day operations to become more involved in the activities of Hardee's parent company, Imasco Ltd.

Lovin, a 15-year veteran of the fast-food industry, had been executive vice president of operations. Morris had been vice president of human resources. Merritt had served as vice president of government and public relations. All report directly to Prather.

Canadian suitors finally drop Dunkin' pursuit

RANDOLPH, Mass. — Dunkin' Donuts' persistent Canadian suitors have finally abandoned their pitched effort to take over the segment-leading doughnut chain.

DD Acquisition, a partnership of Toronto-based Kingsbridge Capital and Cara Operations, said it would tender all of the Dunkin' shares it amassed during the failed takeover attempt. It said the stock would be offered to Allied-Lyons, the British concern that has agreed to buy the doughnut-shop chain for $325 million.

After DD pressed its efforts to bag Dunkin', Allied-Lyons stepped in as the snack chain's "white knight," topping DD's $45-per-share offer in the 11th hour. The bid was quickly accepted by Dunkin', which had diligently rebuffed DD's overtures. But DD refused to admit defeat and repeatedly indicated that it might sweeten its bid.

McCarty adds tapas menu at Denver restaurant

DENVER — Michael McCarty has substituted a low-cost tapas-style menu for the Tex-Mex bill of fare formerly featured in the Grill Room of his Adirondacks restaurant here.

The listing features what McCarty calls "new American tapas" — small portions of appetizerlike items priced from $2 to $4. Included among the 25 offerings are little pizzas and burritos.

The Grill Room is the 110-seat, 5,000-square-foot downstairs component of the restaurant, which was formerly known as the Rattlesnake Club. Another dining room is upstairs.

McCarty also owns the Michael's restaurants in New York and Santa Monica, Calif.

'Dead' downtown kills Herzog's

ST. LOUIS — Whitey Herzog's Restaurant and Powerhouse, a sports restaurant and nightclub partly owned by St. Louis Cardinals manager Whitey Herzog, has closed after celebrating its first birthday.

The large facility's operator, Chicago-based J.R. Management, said it shut the place down because the downtown area is "dead" after dark, especially on weeknights.

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NEWS

El Pollo Asado makes cutbacks in execs, units in wake of Ch. 11

by Richard Martin

PHOENIX, Ariz. — El Pollo Asado, pared back to 27 franchised outlets and operating under Chapter 11 bankruptcy, has fired its new chief executive and its operations chief and shuttered its seven remaining company-owned restaurants.

The quick-service chain's board dismissed Thomas C. Sawyer, the Burger King and Kentucky Fried Chicken veteran hired in November to succeed co-founder Richard Lipson, who was fired as El Pollo Asado's chairman and chief executive.

Dismissed with Sawyer was Richard J. Peterson, chief operations officer and the other co-founder of the grilled chicken and Mexican food chain.

Ronald A. Paradis, the chain's veteran financial chief and executive vice president, is the sole remaining corporate employee. Paradis, who has assumed all vacant positions, did not return phone calls.

"He's the president, CEO, CFO, cook and bottle washer," quipped a laid-off headquarters staffer, whose last task before cleaning out her desk was to complete a final payroll.

An estimated 250 company-store and headquarters workers have been terminated since November, when eight corporate-owned restaurants were closed here and in Denver. The last seven company units, one in California and the rest in Phoenix, were shut down last month; two of the Phoenix stores were later reopened by landlords as franchised outlets.

One of those reopened units will be used to supply the concept's proprietary chicken marinade to other franchised outlets. El Pollo Asado's Phoenix commissary was closed last year as part of the corporate cutback.

About 13 franchised restaurants were also closed in the last two years, including two in Phoenix in the last three months. The 27 remaining licensed units are in Arizona, California, Colorado, Nevada, Texas and Rhode Island. Three more are under construction in California.

A prepared release from Paradis said the final company-store closures were caused by a withdrawn commitment for financial assistance made earlier by Commonwealth Holdings, a Sacramento, Calif.-based investment firm that owns 5 percent of the restaurant company.

El Pollo Asado filed for bankruptcy court protection from creditors in November after reporting a $4.8 million net loss in fiscal 1989. The company lost $7.7 million in 1987.

In recent years the chain had sought to recoup its profitability by converting its Mexican-style chicken outlets to full-menu Mexican cafes specializing in grilled, herb-marinated poultry.

The chain was launched here in 1983 by Lipson and Peterson, former Garcia's of Scottsdale executives, as a direct copy of the El Pollo Loco chicken concept. Originally called El Pollo Flojo, Spanish for "the lazy chicken," the chain changed its name after an out-of-court settlement with Denny's-owned El Pollo Loco in 1984.

Jewish delis stage comeback in Chicago

(Continued from page 1)

Williams, and Minnie's, a 60-seat neighborhood deli co-owned by Larry Tucker and Dennis Harris.

Williams said he decided to open a deli here because he could not find one like those he had grown up with in Manhattan. He and designer Roger Greenfield created Ciralsky's to look like a well-worn New York deli, with a large deli case, a tiled floor and wooden booths and tables.

Much of Ciralsky's food duplicates as closely as possible the products of its New York counterparts. The pastrami comes from the Bronx, but most other products, including the corned beef and cheesecake, are processed in Chicago. Some of the lox and other smoked fish, which are top sellers, come from other states, such as Wisconsin and California.

The Carnegie opened in December in the space vacated by the short-lived Cityscape in the Bloomingdale's mall. The licensees, a group of investors headed by Chicago developer Thomas Klutznick and his Los Angeles partner Marvin Davis, are required to use all of the Carnegie's meat products from Manhattan. "We have our own meat-processing plant and cheesecake-baking plant," said Milton Parker, Carnegie president.

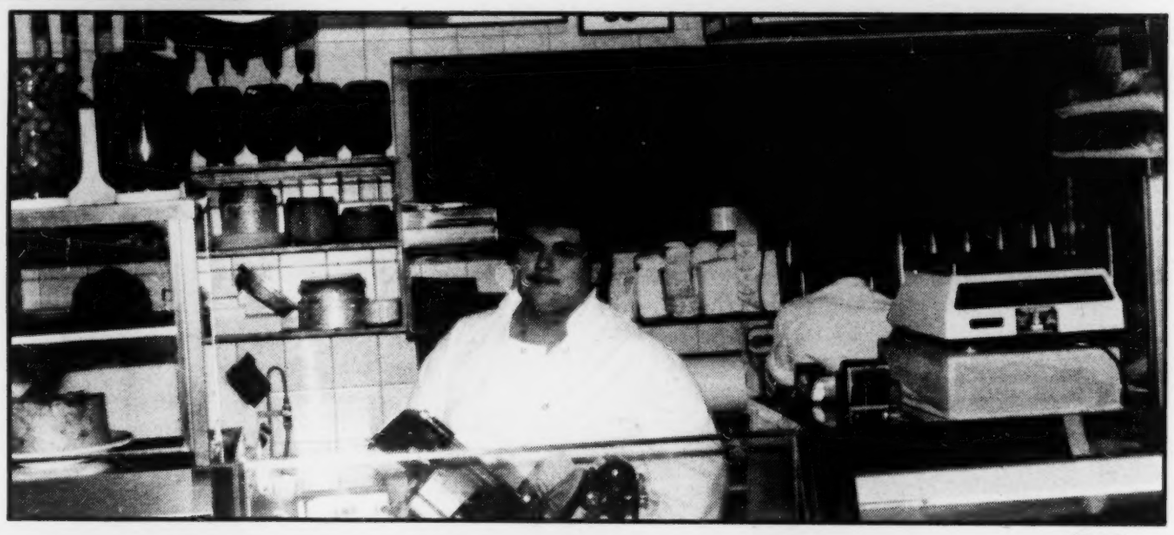
Minnie's gets a few products from New York, among which are its pastrami briskets, egg creams and phosphates. Everything else is either made in-house or by local suppliers, Tucker said.

Unlike Ciralsky's, Minnie's does not try to emulate a New York deli. "We sell as many turkey as corned-beef sandwiches" to the Lincoln Park neighborhood's health-conscious young professionals, Tucker noted. He also sells a lot of his Mediterranean salads, consisting of charcoal-broiled chicken breast, romaine lettuce, olives, feta cheese and radish rosettes.

"We sell a lot of salads," Williams said, "but we also sell a lot of corned beef and a lot of pastrami. I don't think anybody should eat the same kind of food all the time. You probably need a little bit of fat and even a little bit of cholesterol."

All three delis are noted for their lengthy menus and large-portion sizes, offering something for nearly every diet preference. But sellout sales of such traditional Jewish favorites as cabbage soup, blintzes and rugelach cheesecake leave little doubt about the operations' ethnic roots.

Take-out accounts for about one-quarter of Minnie's business, and Ciralsky's and the Carnegie have just started to offer the service. The Carnegie accepts take-out orders via FAX machine.



NRN Photo

Ciralsky's deli counter.

In keeping with intended images as neighborhood restaurants, Ciralsky's and Minnie's are open for breakfast as well as throughout the day and evening. Some of Minnie's regular customers come in more than once a day, and Tucker knows half of the customers.

Neither of those operations fears competition from the big-name Carnegie because it is seen as a tourist destination. "I don't feel restaurants compete with each other; you compete with yourself," Williams said.

Klutznick is more concerned about competition from fellow mall operators of Tucci Benucch (Lettuce Entertain You Enterprises), Hopper's Dining Car (the Levy Restaurants) and America's Kitchen (Errant Enterprises) than about the city's other delis. "If we deliver the Carnegie substance, I don't think we have any competition," he explained.

Parker projected that the Chicago Carnegie would gross between $5 million and $6 million annually "as long as the people listen to how we instruct them." He would not reveal sales figures for the flagship New York store, saying only, "For a small store we do a lot of business."

None of these delis makes any pretense of being a kosher restaurant, which cannot serve both dairy products and meat. However, they are New York kosher-style eating places, Williams noted.

Restaurant analyst and Chicagoan Ron Paul predicted that the renewed deli segment "will work quite well here, given Chicago's Jewish population." The new delis represent a yearning to return to old favorites and a reaction against fast food, he said.

CORRECTIONS

"What's Hot In . . . ," Dec. 11, page 11, was incorrectly labeled Portland, Ore. The list of restaurants covered in the feature actually is from Portland, Maine.

* * *

"Local pizzerias shun coupon wars," Dec. 4, page 1, misstated the number of units in the San Francisco-based Round Table Pizza chain. The chain has 540 restaurants.

* * *

In his Nov. 27 Editor's Corner column, "The new minimum-wage bill deserves support," Charles Bernstein incorrectly indicated that operators in some states might achieve lower minimum wages under the new federal law mandating $3.80 an hour in April 1990 and $4.25 in April 1991. "Federal laws take precedence over state ones," he wrote.

In fact, the U.S. Labor Department has consistently ruled that "whatever is most favorable to the employee" prevails. Thus a state minimum-wage law would take precedence over the federal law if the state had a higher minimum. The federal minimum would prevail if it was higher or if there was no state minimum.

FINANCIAL NEWS

Sales at restaurants, bars advance 3% in November

by Milford Prewitt

Restaurants and bars enjoyed a 3-percent year-to-year sales gain in November, temporarily reversing what had been a downward sales spiral but nowhere near as high as the industry's strongest sales surge in May.

The prevailing view from Wall Street and other industry observers is that the November uptick in volume is an inconsequential blip in what has been a consistently down sales trend since the end of May.

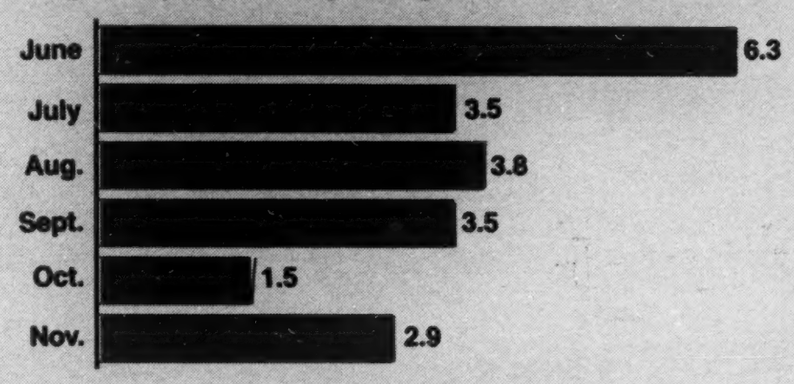
According to the Census Department's monthly retail sales estimate, unadjusted sales at restaurants and eating places grew by 2.9 percent in November from the figure for the year-ago period.

When November is compared with October, however, restaurants and eating places sustained a 4-percent loss in sales, a dip more indicative of the industry's current performance, some analysts maintained.

"I usually tend not to depend on the month-to-month data," said Joseph J. Doyle, an analyst with Smith Barney, "but the difference between October and November reflects what's been going on most of the quarter: that demand in the restaurant business is soft."

November sales growth picks up for eating, drinking places

(year-to-year percentage change)



* Source: U.S. Census Bureau's Unadjusted Monthly Retail Sales

> "Now that the menu prices are in effect, consumers are not eating out as much."

Other analysts agreed.

Howard Hansen, a foodservice analyst with Kidder, Peabody, said that when adjustments are made for menu inflation, holidays and even the number of weekends in a month, the industry has probably incurred its fifth consecutive sales hemorrhage.

"When you look back over history, the only time you see that kind of pattern is during a recession, as in 1984 and 1985," he said.

Wall Street's pessimistic outlook conflicts with the buoyant quarterly earnings and sales performances several industry operators have been reporting of late.

Uno Corp., Collins Foods, Shoney's, Pepsico, Perkins Family Restaurants and National Pizza are just a few companies whose recent financial statements reflected improved sales and profit levels.

But observers claimed that a handful of upbeat quarterly and annual reports do not undermine their basic consensus that the industry is currently locked in a nose dive.

Frank Panyko, vice president of research for the Food Institute, a Fairlawn, N.J.-based statistical research group specializing in grocery store and restaurant industry market data, said his figures conform with those of others who have argued that foodservice sales have been flat since the second quarter.

Panyko said year-to-year sales growth slowed by more than half during the summer of 1989 compared with the previous summer, with year-to-year compiled monthly volumes up about 3.1 percent vs. 6.7 percent during 1988.

"I think what happened is that menu prices went up in 1988, and there was no falloff in consumer demand throughout the year," Panyko said. "Now that the menu prices are in effect, consumers are not eating out as much."

Through elaborate indices he uses to measure the number of meals consumers eat in a month, Panyko said the net effect is that they are eating one meal more a month at home.

That extra meal, he said, has boosted grocery store sales volume .5 percent a month since May.

FOOD PRICE OUTLOOK

Fresh farmed salmon prices lower

by Patt Patterson

The farmed-salmon industry is experiencing a worldwide surplus of product, according to fisheries observers. Norway has increased production dramatically. Scotland is a major player; British Columbia producers have proliferated in the past three years.

Chile is a big supplier. And this year the United States has had a large wild-salmon catch. As result, import prices are down for whole fresh pan-sized farm-raised salmon.

Now that the holiday season is past, canned-ham prices may be moving down a bit. Imports have been short for several months, but forecasts are for larger quantities by spring.

Pork belly inventories are still large. As a result, bacon prices should be fairly stable for the next couple of months.

Tomato paste and canned tomato imports have reached record levels despite the fact that California had a 30-percent increase in its pack this year. The largest share of paste imports is in the foodservice 6/10 and 55-gallon drum sizes. The largest share of canned tomato imports is in the 6/10 size.

The pizza and pasta markets have pushed demand to new records. Prices of tomatoes and tomato products are firm to rising on strong demand.

There's still a large supply of apples overhanging the market as an aftermath to last year's Alar scare. But applesauce prices are moving up. The reason: smaller than normal supplies of processing apples in the East, where most of the applesauce is packed.

Northwest canned-pear prices moved up last month; California supplies are good, but some packers may advance costs.

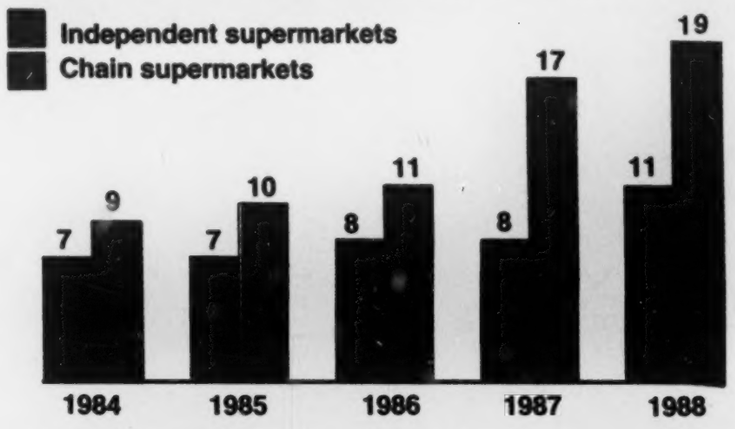
This is the time when Florida citrus is at risk from freezing weather. Long-range forecasts indicate no deep freezes for about 60 days, but producers are preparing just in case. The cold weather of 1989 curtailed this season's crop volume. With a good year Florida orange juice producers may have a strong crop rebound next season.

NRN FACT FILE

A look at the statistics shaping the industry

Percent of supermarkets with sit-down eating

Restaurant presence in supermarkets has been steadily increasing.



* Source: Progressive Grocer's Annual Reports

FINANCIAL DIGEST

Cucos franchisee fees, royalties spark profit

METAIRIE, La. — Higher franchisee income from both royalties and fees led to a 28-percent jump in first-quarter earnings for Cucos despite softening in comparable company store operating profit.

For the first quarter, ended Oct. 22, Cucos posted earnings of $94,367 on a 3-percent rise in revenues, to $4 million.

Sales per restaurant rose only 1.3 percent for the quarter in spite of a hike in advertising expenditure. In fact, increased advertising outlays and lower sales growth was attributed to a decline in operating profits from company-operated stores on a year-to-year basis.

The company operates 10 of the chain's 28 Sonoran-style Mexican restaurants.

But the shortfall in company restaurant profits was offset by improvements in franchisee revenues and profits. Total franchise revenues jumped 51 percent, to $269,265, for the quarter.

Acquired franchisee units boost Rally's

LOUISVILLE, Ky. — Aided by the purchase of 61 franchised restaurants following Rally's initial public offering in October, Rally's first-quarter revenues jumped 35 percent, to $16.4 million.

For the quarter ended Oct. 1, the drive-thru burger chain reported that year-to-year earnings soared 72 percent, to $1.1 million.

The drive-thru burger segment leader, which had just 10 units before it went public, now owns and operates 71 of the system's 186 stores.

TCBY to buy back shares for benefit plans

LITTLE ROCK, Ark. — TCBY Enterprises has authorized its board of directors to repurchase as much as $1 million worth of shares in order to fund an employee stock ownership plan, general operating expenses and other employee benefits, the company announced.

The company said that the number of shares to be repurchased and prices to be paid will be based on the prevailing market conditions and legal limitations and that the repurchase may last as long as Dec. 31, 1991.

Cost cuts spur Piccadilly earnings

BATON ROUGE, La. — Piccadilly Cafeterias said reductions in labor and food costs led to a 13-percent rise in first-quarter earnings, to $3.1 million.

Piccadilly posted an 18-percent year-to-year sales gain, to $75.8 million, for its quarter ended Sept. 30.

In addition to trimming food and labor costs, Piccadilly said comparable store traffic rose 3 percent year to year.

The company owns and operates 135 cafeterias and seven Ralph & Kacoo's Louisiana-style seafood restaurants.

Chez drops stake in Max & Erma's

COLUMBUS, Ohio — Ronald L. Chez, an Oakland, Calif., businessman, reported to the Securities and Exchange Commission that he has dropped his stake in Max & Erma's to 4.4 percent of common shares outstanding.

Meanwhile, Mercury Asset Management, a London investor group, has acquired a 5.6-percent stake in the company, according to SEC documents. The intentions of the British group are not known.

In his filing Chez disclosed that he sold 35,033 shares of Max & Erma's common stock from Aug. 23 to Nov. 23 for $7.23 to $8.35 per share, leaving him with 134,300 shares.

Max & Erma competes in the casual-themed restaurant segment against such chains as Chi-Chi's, TGI Fridays and Houlihan's. Max & Erma is a 13-unit chain, concentrated primarily in the Midwest.

FOCUS

Challenge 1990: Thawing out the consumer

Experts cite decreased consumer spending and increased competition among retailers and operators as the key factors behind the modest growth expected

by Peter Romeo

Strapped for time and money, consumers are poised to turn the new year into a trying time for foodservice operators.

Even as harried Americans hunger more keenly for the convenience of purchased meals, forecasters explained, a sluggish economy is frustrating their desire to dine out more frequently.

"The good news is that restaurants have become America's favorite form of entertainment, and that's a real advantage," commented Donald Ratajczak, an economist and college professor who serves on the board of cafeteria specialist Morrison Inc. "The bad news is consumers aren't spending much on anything these days."

Consumer spending crept upward by 2.4 percent last year, after increasing 3.4 percent in 1988, according to Blue Chip Economic Indicators, a compendium of data from 51 leading economists. The group has forecast that spending will grow by only 1.8 percent this year.

"The bad news is that we're facing the most sluggish economy we've seen since the recession of 1982, which was fairly severe," said Robert Eggert, who compiles the Blue Chip data. "The good news is we won't see an actual recession."

For eating-and-drinking places, the situation is exasperated by exhaustive schedules that leave patrons with few opportunities to indulge themselves. "People don't have as much time to eat out, particularly at lunch," noted Ron Paul, president of Technomic Inc., a Chicago-based research house.

That time crunch has stoked take-out and delivery sales, which in turn "have driven industry growth" since 1984, according to the National Restaurant Association. It estimated that patrons buying meals for at-home consumption now account for 45 percent of all foodservice traffic.

But that trend is proving to be a mixed blessing.

"With this shift to off-premises consumption, consumers are skipping part of their usual purchase," said Technomic's Paul. "They buy a take-out pizza, but they drink the soda they already have at home. It came from a supermarket, and that means fewer dollars for the guy selling the pizza."

What's more, the NRA reported that take-out and delivery sales have cooled recently, slowing their growth. The group warned in its annual sales forecast that "competition promises to intensify as grocery stores and other retailers focus greater attention on capturing a greater share of the consumer's off-premises expenditure."

Overall, the NRA foresaw "continued but modest growth" in 1990. Real sales, it said, will increase by 1.8 percent, compared with last year's rise of 1.5 percent. The numbers were developed in consultation with Malcolm M. Knapp Inc., a New York research concern.

The NRA agreed with economists' predictions of a slowdown in consumer spending during 1990. However, the group is wagering that consumers will spend less of their money on durable goods, which seemed to have pulled dollars away from foodservice last year.

"In March 1989 purchases of new cars and light trucks jumped almost 19 percent from the prior-month figure, and the proportion of adults who were foodservice patrons on a typical day dropped 7.4 percent," the NRA noted in its Foodservice Industry Forecast. "In August 1989 a similar phenomenon occurred. Vehicle sales spurted upward by 13 percent, and restaurant traffic fell 5.7 percent."

> "Competition promises to intensify as grocery stores and other retailers focus greater attention on capturing a greater share of the consumer's off-premises expenditure."

"Sales growth for eating places did not meet expectations," the NRA concluded. "Cash on hand was squeezed by unanticipated major purchases."

It cited Blue Chip Economic Indicators' projection that spending on big-ticket items will increase by less than 1 percent this year, compared with last year's 2.6 percent advance."

"For the 10th straight year, the industry will experience real — if slight — growth," commented Susan Mills, the NRA's research chief.

However, a 1.8-percent real-sales rise would be one of the smallest gains within that decade.

The industry's other major prognostication, Foodservice Forecast & Outlook, which is prepared by Technomic for the International Foodservice Manufacturers Association, predicted that eating places would garner a 2-percent increase in business this year.

Although that figure would be steeper than the target set by the NRA, Technomic is actually forecasting a sales slowdown; it projects that sales grew by 2.8 percent in 1989 — a year bemoaned by most restaurateurs.

If Technomic's outlook is accurate, foodservice will experience its smallest advances since 1985.

"The number of transactions may actually increase substantially," Paul said. But we're seeing people shopping for lower-priced meals. We're seeing widespread discounting. And there's the shift to off-premises consumption. All those things lower the number of dollars being spent."

Whatever growth foodservice garners will likely be tempered by the industry's ongoing expansion binge. On average, according to government figures, more than 12 restaurants enter the market every day. Industry statisticians say there is no reason to expect that pace to slow significantly, if at all.

*(See **FORECASTS**, page 36)*

FOCUS

Forecasts indicate slow growth for 1990

(Continued from page 33)

"We're going to have more people eating out; that trend is certainly not going to change," Ratajczak said. "The question is, Are we going to have more people eating out per store?"

"The individual operator is probably more pessimistic about the coming year than are people like us, who look at the big picture," Paul said. "Overall, demand is growing, but there's more competition for it."

Ironically, the industry is straining at a point when research indicates that Americans have never been more reliant on restaurants for sustenance. A meal prepared outside the home "is no longer perceived as a luxury," the NRA asserted in its forecast. "Instead, it is an increasingly important component of everyday life that nearly half of all adults purchase on a typical day."

That yen for ready-to-eat meals "is the basis for continued industry growth," the report concluded.

The NRA predicted that a few foodservice groupings would enjoy fairly substantial real-growth gains this year. For instance, it forecast that fast food's tally would rise by 3 percent; contract feeding, by an inflation-adjusted 3.9 percent; and social caterers, by 3.4 percent.

Several contract-feeding markets are poised for exceptionally strong showings, the data indicated. For instance, the NRA predicted that college and university accounts would enjoy real-sales gains of 6 percent; airline catering, 5.7 percent; and health-care installations, 4.4 percent.

On the other hand, food and beverage sales at bars and taverns will fall slightly below last year's tally, according to the NRA's outlook. Negating menu price increases, sales at commercial cafeterias are forecast to inch upward by less than 1 percent.

"The economic performance of cafeterias continues to be puzzling," the NRA commented in its analysis of the data.

The trade group's researchers are not mystified in the least by the tough times evident among full-service restaurants, whose real sales are forecast to grow by a paltry 1 percent. "Competition," the forecast explained, "is intense."

"The number of table-service restaurants has been growing almost as quickly as the number of fast-food places," Mills explained. Approximately 19,490 full-service establishments lighted their burners for the first time between 1982 and 1987, yielding an average of 10 openings per day, according to government figures.

"This faster-than-expected expansion rate also helps to explain why some have reported virtually no real sales growth in recent years," commented the NRA's forecast.

The damage wrought by the expansion binge has been particularly acute for high-end places, which have seen their traffic slacken as baby boomers feel the financial squeeze of parenthood. "Increasing demands are being placed on their incomes as they marry, acquire homes and have children," the forecast observed.

"With the pinch on consumer incomes, individuals are looking for more value for their money," the study added. "Upscale restaurants with a more formal atmosphere have been troubled by the change in consumer attitudes away from free spending to comparative frugality — a change initiated as a result of the stock market crash in October 1987."

The trend has fostered a boom among casual restaurants — places that boast simple, high-quality and moderately priced foods served in a comfortable setting. Establishments fitting that description enjoyed a 7.5-percent traffic jump between 1986 and 1988, according to GDR Crest, a Midwestern researcher that tracks food sales.

"This trend will continue to contribute to sales growth well into the next decade," the NRA predicted.

"We're going to see a move toward more casual dining," remarked Technomic's Paul. "People want value."

But, he added, the very success of casual restaurants has drawn hordes of newcomers into the segment. "In terms of competition, it's going to be terrible," he said.

Faced with that situation, an abundance of restaurants are striving to differentiate themselves by redesigning their dining rooms, according to the NRA. A survey conducted for the association discovered that nearly half of all respondents with check averages of $8 or more either had or remodeled or were planning to do so.

However, despite heightened competition in most restaurant sectors, the industry is curbing its advertising expenditures, according to the NRA. "The spending slowdown may be attributed to higher media advertising rates, increased cable/VCR viewing and the fact that some foodservice operators have allocated more of their marketing budgets to promotions," said the association's forecast.

However, that perception conflicts with the results of an informal survey conducted for Advertising Age, the trade newspaper. The data call for a 6-percent rise in restaurant advertising during 1990. That increase would amount to a 1.6-percent real rise in outlays.

In general, said Technomic's Paul, operators have been slow to respond to the profound changes unfolding in their marketplace. "The majority are still trying to figure out what to do," he said.

> "The individual operator is probably more pessimistic about the coming year. Overall, demand is growing. But there's more competition for it."

SALES OUTLOOK FOR FOODSERVICE

	Sales (billions)		% of change	
	1989[1]	1990[2]	Nominal	Real
FREESTANDING RESTAURANTS				
Full-service restaurants	$ 73.24	$ 77.19	5.4%	1.0%
Fast-food places	65.53	70.38	7.4	3.0
Commercial cafeterias	4.15	4.36	5.0	0.6
Social caterers	2.09	2.25	7.8	3.4
Ice cream, other frozen treat places	2.03	2.18	7.2	2.8
Bars, taverns	8.98	9.01	0.3	(4.3)
Total, freestanding eating and drinking places	156.02	165.37	6.0	1.6
CONTRACT FEEDING				
Manufacturing, industrial sites	3.66	3.94	7.9	3.5
Commercial, office buildings	1.24	1.34	7.8	3.4
Hospitals, nursing homes	1.57	1.71	8.8	4.4
Colleges, universities	2.43	2.70	11.3	6.0
Primary, secondary schools	1.16	1.23	5.7	1.5
Airlines	1.29	1.41	9.4	5.7
Recreation, sports centers	1.72	1.84	6.6	2.2
Total, contract feeding	13.06	14.16	8.4	3.9
HOTEL, MOTEL RESTAURANTS				
Total, all places	14.14	15.09	6.7	2.3
IN-STORE RESTAURANTS				
Total, all places	9.46	10.33	9.2	4.8
OTHER[3]				
Total, all places	8.49	8.98	5.7	1.3
TOTAL, ALL COMMERCIAL PLACES	201.18	213.93	6.3	1.9
TOTAL, ALL INSTITUTIONAL PLACES	24.97	26.21	5.0	0.9
TOTAL, ALL MILITARY PLACES	1.08	1.14	5.8	1.4
GRAND TOTAL, ALL FOODSERVICE PLACES	227.22	241.28	6.2	1.8

[1] All 1989 figures are projections
[2] All 1990 figures are forecasts
[3] Includes snack bars at bowling lanes, drive-in theaters, and sports facilities; mobile caterers; and vending outlets.

Source: National Restaurant Association

Is there a babysitter in the house?

Need more traffic in your restaurant? You may want to add a baby-sitting service for patrons. Or maybe you could convince servers to tell a joke or two.

Those were among the suggestions provided by 7,000 frequent diners who were canvassed by the Zagat organization for its guides to restaurants in New York and Los Angeles.

The publishing concern asked the consumers to list a restaurant innovation they would value. Noting that the respondents "have never been shy" about citing restaurants' shortcomings, Zagat said it was inundated with suggestions about services that should be added.

Included in the bunch were installing tabletop call buttons to summon servers, reserving dining rooms for single women, permitting patrons to bring their dogs, providing "romance rooms" and hiring "strolling masseurs," outfitting booths with video-cassette recorders and earphones and giving patrons control over lighting levels.

Some respondents described new concepts they'd like to see: a combination restaurant-record store; rooftop restaurants, with telescopes provided for entertainment; conveyor-belt buffets, where the food moves, and patrons are stationary; dining places that also offer a golf driving range.

> One consumer suggestion was for restaurants to install tabletop call buttons for patrons to summon servers.

Zagat rates restaurants in various cities by mailing questionnaires to residents who dine out frequently. The respondents provide assessments of their favorite restaurants. That input is then compiled into Zagat's pocket-sized guides. *P.R.*

FASTEST-GROWING COMMERCIAL SEGMENTS
(ranked by real sales growth, 1989-90)

Market segment	Real sales growth
College & university contract feeding	6.0%
Airline catering	5.7
In-store restaurants	4.8
Hospitals & nursing homes, contract feeding	4.4
Manufacturing & industrial cites, contract feeding	3.5

Source: National Restaurant Association

SLOWEST-GROWING COMMERCIAL SEGMENTS
(ranked by real sales growth, 1989-90)

Market segment	Real sales growth
Bars, taverns	(4.3)
Commercial cafeterias	0.6
Vending, mobile outlets	0.6
Full-service restaurants	1.0
Mobile caterers	1.1

Source: National Restaurant Association

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January 8, 1990

tic blast slams Sunbelt for holiday

Tourists, New Year thaw icy sales week

by Jack Hayes

Two weeks after the grip of a record-breaking arctic freeze, restaurateurs across the Sunbelt are celebrating a New Year's thaw that is heating up their local and tourist dining trade.

Operators from Corpus Christi, Texas, to Savannah, Ga., were crippled in late December by sleet and freezing winds. But as quickly as the frigid weather dampened holiday spirits, a warming trend is buoying hopes for a strong January.

"The bad news is we panicked," said Archie Casbarian of Arnaud's in the New Orleans French Quarter, where a 5-inch snow turned the streets into skating rinks around Christmas and virtually shut down dining citywide.

"The good news is everybody rescheduled," added Casbarian, calling New Year's weekend a

*(See **FREEZE**, page 105)*

Battered crops spur produce price hikes

by Milford Prewitt

The Christmas week cold wave and snowfall that damaged some of the South's richest agricultural regions are expected to have repercussions in restaurateurs' food costs and consumers' wallets for some time.

Hundreds of thousands of acres of oranges, tomatoes, bell peppers, celery and other so-called winter vegetable crops in Florida, Louisiana and Texas were destroyed in last month's cold wave, spurring higher prices of the affected produce.

While imports and West Coast produce may temper the long-term effects of the recent freeze, economists and government forecasters said that produce prices would remain high at least in the first quarter of 1990.

Preliminary forecasts by state economists in Florida are that as

*(See **COLD FRONT**, page 105)*

California dreamin': McCarty takes Michael's to Manhattan

by Peter O. Keegan

NEW YORK — Celebrated chef-owner Michael McCarty is out to prove that his brand of California cuisine will succeed in a city where similar concepts have failed.

At the new midtown Michael's, which McCarty said would be the last freestanding restaurant he'll open, a simple, straightforward menu has been assembled — featuring California-based regional hybrid cuisine.

The success of California cuisine in Manhattan has been short-lived in the past. Such high-profile places as Jonathan Waxman's Jams and Andre Sfez's Batons closed in 1988 after initial interest waned.

NRN Photo

Michael McCarty stands in his new restaurant, Michael's, in New York.

Currently, even Wolfgang Puck-inspired China Grill and Richard Krause's Melrose are showing signs of stagnation. Krause reports that he'll convert

*(See **McCARTY**, page 4)*

Texans cheer planned overhaul of workers comp

by Peter Romeo

AUSTIN, Texas — After a fierce five-year battle, Texas legislators have mandated a sweeping overhaul of the state's program for compensating injured workers, buoying the spirits of restaurateurs straining to cover the old system's soaring costs.

Operators voiced hopes that the imminent reform will eventually roll back Texas' workers-compensation insurance rates, which rank among the highest in the country. The state's restaurateurs typically pay three times the national average, according to the Texas Restaurant Association.

Other states are closely monitoring the Lone Star State's situation, hoping to glean a lesson or two about how to rein in their own galloping insurance costs.

Yet few areas have suffered as much as Texas. Rates there have leaped 180 percent in the last five years, and insurance companies have been seeking another 35-percent hike to temper their huge losses.

*(See **WORKERS**, page 104)*

Fine dining in '90s: Proceed with caution

A look at this year and beyond

by Florence Fabricant

1990 TRENDS

Many of the trends that will influence tablecloth operations around the country for the next year or so have already been in place for many months. The latest developments in the economy indicate the trends will evolve gradually. The watchword for the coming year is caution.

Nothing will happen out of the blue unless it is caused by an event like the shoreline pollution of the summer of 1988, which drastically eroded seafood sales in many operations. It took nearly a year for the commercial seafood industry to overcome consumer anxiety about seafood safety.

The National Bureau of Marine Fisheries is pressing ahead with its support of seafood inspection, which should help restore confidence in fish and seafood. Operators, for their part, can probably continue to market more seafood in 1990.

Seafood safety, in reality, has more to do with how well the wholesaler and the chef handle and maintain the seafood they buy, not with inspection at the dock. But insistence on inspection reflects consumers' growing concerns about the safety of the food supply in general. Pesticides and contamination by salmonella made news last year.

Operators of luxury establishments who can afford organic ingredients will appeal to affluent, educated consumers. For many years California chefs like Alice Waters have depended exclusively on organic produce, meats and poultry. In New York Christopher Idone refuses to serve veal at his new operation, 1022, becauseof the way the animals are raised.

*(See **1990s**, page 104)*

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Call the NRN Hot Line: 1 (800) 678-7711.

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NEWS BRIEFS

Bankrupt Pantera's may separate Pizza Inn chain

DALLAS — Pantera's Corp., operating under Chapter 11, said it may separate its Pizza Inn subsidiary from the company, leaving it "with virtually no viable operations."

Based on discussions with creditors and "court pronouncements," the company said it believes that "substantial dilution of the interests of existing shareholders is likely."

Pantera's has until Jan. 19 to file its reorganization plan.

Many of the company's debt problems stem from its 1987 acquisition of Pizza Inn, the 600-unit chain.

Commander's Palace chef exits to launch own restaurant

NEW ORLEANS — Chef Emeril Lagasse has resigned after seven years at Commander's Palace to open a 120-seat lunch and dinner establishment called Emeril's Restaurant near the Rivergate and the New Orleans Convention Center.

Lamenting the loss yet supporting Lagasse's departure, the Brennan family has moved sous chef Jamie Shannon to the executive chef spot and brought Steven Gundlach from Brennan's in Houston to handle front-of-the-house duties at the 107-year-old dining landmark in the city's Garden District.

Joining Commander's as executive chef in 1983, Lagasse had served as operations director in charge of kitchen and service since the resignation of general manager Michael Reiss last summer.

Krause's new Rose Cafe features seasonal cuisine

NEW YORK — Richard Krause, chef-owner of the highly rated Melrose restaurant here, has opened a new place, the Rose Cafe, with partners Philip Scotty and Stewart Rosen.

The 100-seat, enclosed sidewalk cafe at Fifth Avenue and Ninth Street in Manhattan replaces the short-lived Mosaico restaurant. Krause's "regional seasonal" menu features hearty dishes that change seasonally. Rose Cafe is open for breakfast and lunch, with appetizers priced at $4.50 to $8 and entrées available for under $17.

Meanwhile, Krause plans to convert Melrose to a lower-priced Southwestern bistro in the near future and has promoted former sous chef David Greenfield to head chef. Melrose partner Lee Friedman will be managing the 125-seat Greenwich Village restaurant.

Low bids spark uncertainty over Hilton Hotels fate

BEVERLY HILLS, CALIF. — Lower than expected bids for Hilton Hotels Corp., which has been on the block for nearly five months, fueled speculation that chairman Barron Hilton may delay plans to sell the business.

JMB Realty Corp., Chicago, has offered about $90 a share, or $4.36 billion, for the company, according to published reports.

Initially analysts estimated that the company would fetch from $90 to $130 a share.

Despite speculation that recently dropped Hilton's stock price, some analysts said they expected the lodging and gaming concern to change hands within six months.

Miller-Klutznick-Davis-Gray Co., a Beverly Hills, Calif., real-estate concern controlled by investor Marvin Davis, also reportedly is bidding for the company.

Hilton, which operates 270 hotels and three casinos, declined to comment.

Wilkinson succeeds Pangaud at Aurora in New York

NEW YORK — Andrew Wilkinson has succeeded Gérard Pangaud as executive chef at Aurora, Joe Baum's French restaurant in midtown Manhattan.

Pangaud left Aurora, located at 60 E. 49th St., amid speculation that he would be starting his own restaurant. His successor, Wilkinson, had been sous chef at Aurora for three years preceding his promotion.

In addition, Roger W. Martin, who owns a public-relations agency that represents restaurants in New York, has been named managing director of the restaurant.

New Year's celebrants bash Atlanta Marriott Marquis

ATLANTA — Drunken New Year's Eve revelers — many of them teen-agers — turned the atrium lobby of the 1,700-room Marriott Marquis here into a war zone when they began throwing objects over balconies of the 40-story downtown property.

Elevators were sealed off and police called to the hotel about 11:00 p.m., according to Brad Bosworth, manager at Champion's Sports Bar. Some 75 arrests were made, and Atlanta police reported 15 injuries, two of them serious.

"The idea got out that the Marriott was a New Year's Eve party place," said Bosworth, who believed the atrium presented a special attraction. He said surrounding counties were not serving alcohol because the holiday fell on Sunday night, motivating energetic out-of-town celebrants to descend upon Atlanta.

Big Boy rolls new marketing campaign

WARREN, MICH. — Big Boy has launched a new broad-based marketing campaign focusing on the 950-unit chain's new services and menu changes.

The campaign, which uses the theme "There's More To Love At Big Boy," highlights such facets as the chain's expanded luncheon and dinner menus, "health"- oriented food alternatives, new in-store bakeries, new uniforms and a new seniors' program.

D'Amico set to open two new concepts

MINNEAPOLIS — D'Amico & Partners is promising to deliver a new style of fast-food restaurant with the February opening of Toulouse in the new Gaviidae Common downtown shopping mall.

A daily changing menu will offer such specialties as gourmet pizzas, French peasant bread sandwiches, soups, salads and pastries in a quick-service format for eating in, take-out or delivery.

Simultaneously, the company will open the Azur restaurant and ballroom in the same building for full-service dining and catering. Azur will feature the foods and wines of the South of France and Catalonia, Spain.

Sonny Bryan's Smokehouse founder dies at 63

DALLAS — William Jennings "Sonny" Bryan Jr., former owner of Dallas' popular Sonny Bryan's Smokehouse, died recently of cancer. He was 63.

Bryan, who sold his restaurant in February, learned to make barbecue more than 50 years ago while he was working at his father's restaurant. He is survived by his wife of 42 years, Joanne Chapman Bryan.

Stratigakes buys Belden Delis

CHICAGO — Tom Stratigakes, a former top-level executive of Wag's restaurants, has purchased the four-unit Belden Deli chain here from the Markos family.

Stratigakes and his brother, George, said they plan to expand the Belden chain here and perhaps in southeast Florida.

Sam Markos and his family ran the delis for 16 years. The original location, at Clark Street and Belden Avenue, recently closed.

Levy reopens Chicago zoo cafe

CHICAGO — The Levy Restaurants, in a civic partnership with the Lincoln Park Zoological Society, the Chicago Park District and Thomas & Thomas Management, have restored and reopened the historic Cafe Brauer in the Lincoln Park Zoo.

An example of the Prairie School of architecture, which flourished in the Midwest in the early 1900s, Cafe Brauer will offer year-round food service on the first floor and private party space on the second floor. During the summer an outdoor cafe along the zoo's lagoon and an ice-cream shop will offer additional choices.

The restoration cost $4.2 million.

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NEWS

McCarty takes Manhattan with Michael's

(Continued from page 1)

Melrose into a lower-priced Southwestern bistro sometime this month, and customer counts are reportedly slipping at China Grill.

McCarty said his attempt at winning over New Yorkers with his California cuisine would be different. He hopes his lowered prices, larger portion sizes and regional ingredients will convince diners that California cuisine goes beyond high prices, nouvelle portions and baby vegetables.

"California cuisine is here to stay," McCarty said. "People want fresh, healthful, easy-to-eat items that can be prepared quickly and can be consumed on a regular basis."

A prime location and bright atmosphere should provide exposure to a menu that is the culmination of McCarty's years of experience gained as planner, owner and part-time chef at the flagship Michael's in Santa Monica, Calif, as well as at Adirondacks in Denver, formerly the Rattlesnake Club.

Regional American, French, Italian, Latin and Hispanic ingredients are flown in from as far away as Norway or trucked in from nearby New Jersey, which keeps food costs at a high 30 percent of sales. Many items are grilled or seared and served with light saucing or roasted peppers for flavor.

Menu descriptions are detailed, so patrons know where their oysters, steak or prosciutto originates.

Appetizers include Prince Edward Island Malpeque oysters on the half-shell with walnut toast, lemon and New York cocktail sauce and Garden State bresaola (air-dryed beef) with arugula, buffalo Mozzarella, roasted red and yellow peppers and Colavita extra virgin olive oil.

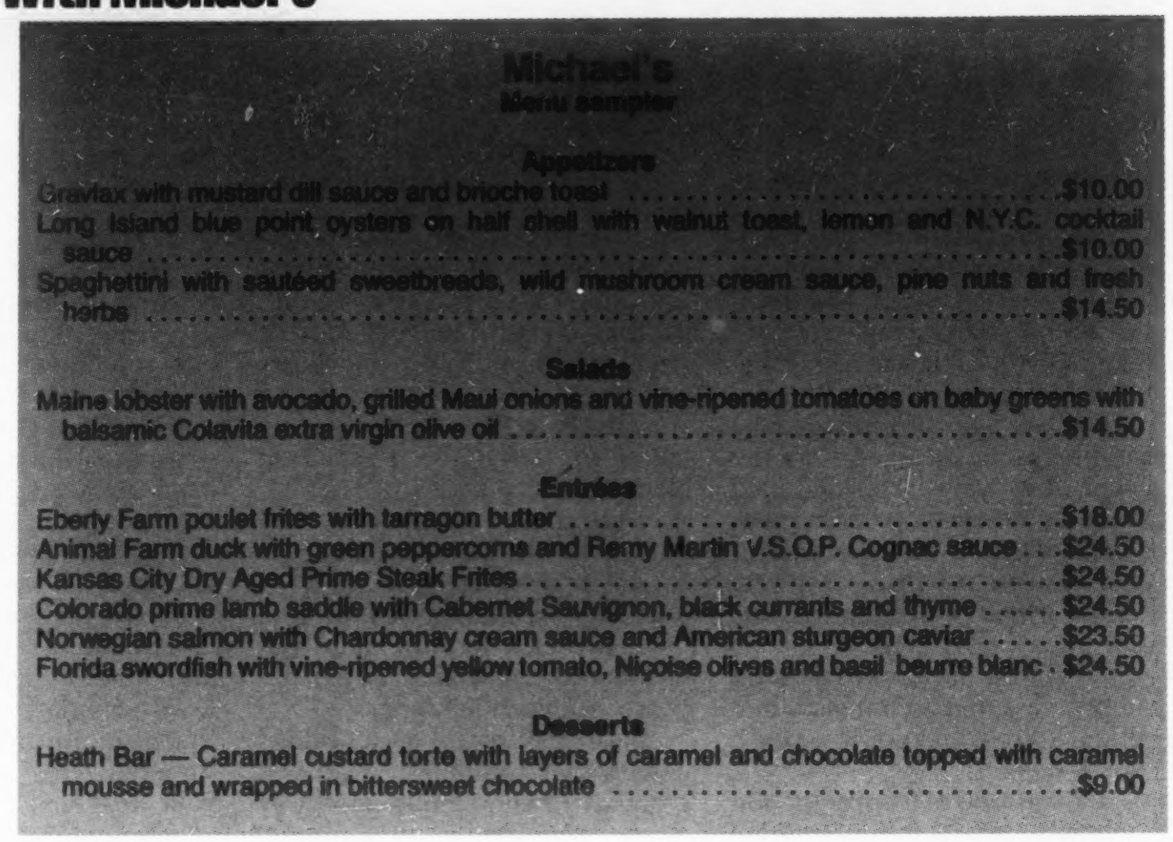
Entrées featured include Eberly Farms chicken with Montrachet goat cheese and roasted red and yellow peppers, grilled Maui onions, vine-ripened tomatoes, jalapeño, cilantro, lime and Colavita extra virgin olive oil; East Coast scallops with Chardonnay cream sauce and American golden caviar; California squab with port sauce and fresh figs; and Illinois veal with caramelized lemon.

The menu changes daily, and a special brunch menu is available on the weekends. Michael's prices reflect the current pricing structure of the other restaurants: $8-$14 for appetizers, $16-$24 for entrées and $7-$10 for desserts.

Best sellers are salmon, swordfish, chicken and goat cheese salad, and salmon salad. An average check comes to $50 per person including food, wine and the mandatory service charges.

Many New Yorkers are unfamiliar with the 15-percent service charge that is added to each check.

"It's more elegant, the customer doesn't have to do all this addition in his head and most people leave a 15-percent minimum anyway," said McCarty, defending the contoversial practice.



Michael's
Menu sampler

Appetizers
Gravlax with mustard dill sauce and brioche toast $10.00
Long Island blue point oysters on half shell with walnut toast, lemon and N.Y.C. cocktail sauce $10.00
Spaghettini with sautéed sweetbreads, wild mushroom cream sauce, pine nuts and fresh herbs $14.50

Salads
Maine lobster with avocado, grilled Maui onions and vine-ripened tomatoes on baby greens with balsamic Colavita extra virgin olive oil $14.50

Entrées
Eberly Farm poulet frites with tarragon butter $18.00
Animal Farm duck with green peppercorns and Remy Martin V.S.O.P. Cognac sauce $24.50
Kansas City Dry Aged Prime Steak Frites $24.50
Colorado prime lamb saddle with Cabernet Sauvignon, black currants and thyme $24.50
Norwegian salmon with Chardonnay cream sauce and American sturgeon caviar $23.50
Florida swordfish with vine-ripened yellow tomato, Niçoise olives and basil beurre blanc . $24.50

Desserts
Heath Bar — Caramel custard torte with layers of caramel and chocolate topped with caramel mousse and wrapped in bittersweet chocolate $9.00

The restaurateur said he instituted service charges to help management train and develop good employees. "We hire people to think," McCarty said. "We want self-motivated types."

McCarty reduced the charge from 18 percent this past summer, and he believes that the present tip system will be obsolete in the next couple of years.

"It's an evolutionary thing," he pointed out. "If you have bad service, you talk to the manager. You don't stiff on the tip."

McCarty knows that winning over neighborhood clientele is half the battle of keeping traffic counts high, and besides residents of Donald Trump's famous Tower, neighbors of the 24 W. 55th St. restaurant are mostly businessmen.

Initially, traffic has been brisk. Michael's is doing 250 lunches and 200 dinners a day, and he predicted that the 140-seat restaurant would do $5.5 million worth of sales in 1990.

"In midtown this kind of restaurant is unique," the peripatetic McCarty pointed out. "People love the art, airiness, flowers and space of the place."

Uncharacteristic of New York restaurants, the 6,500-square-foot interior is very bright, illuminated by its curtainless cylindrical front windows abutting on the sidewalk in front and its sunlit European garden out back.

The layout of the restaurant is similar to that of the Santa Monica unit and features six wooden doors, 36 well-spaced tables and a 1930s-style bar.

The walls, covered with McCarty's signature eggshell paint, blend easily with the cornucopia of modern art and the Bauhaus-style architecture, giving the restaurant an aesthetic, gallery-type ambience.

Why open a Michael's in New York? "There is a similar customer base on both coasts," said McCarty, a New York state native. "There are movie producers, networks, record companies, book agents and magazine publishers here."

And McCarty is banking on the fact that, as is true of California, business executives are always on the lookout for a new, exciting restaurant to impress a business client with — whether it be during lunch or dinner.

"It's the restaurant of the '90s," McCarty boasted.

McCarty secured the lease in 1980 from the co-op board in the building in which he lives, and it took him years of negotiation with the Italian Pavilion, the former tenant, before he could assume possession of the property.

McCarty took over the 54-year-old property on Sept. 1, and two months and $3 million dollars later, Michael's opened its doors in Manhattan.

All new equipment — everything from compressors to a new line — was installed, renovations done, art collected and a staff recruited and trained in nine months of preparation.

Yet many things still need be finished, for example, landscaping outside the glassed patio and converting a squash court into a cold storage room. The lease came with bountiful storage and work space — which is rare in Manhattan.

Comping a meal could be good business

(Continued from page 3)

tion fell below their restaurants' standards and displeased their guests.

"I have instructed all of our employees that no customer should ever have to pay for a meal that he is not satisfied with in the area of service or the food itself," said John Cates, owner of Country Cabin Barbecue, a 4-year-old, one-unit full-service restaurant in Nashville, Tenn. "If we can't get it right, we comp it."

Michael Lieberman, owner of Michael's in Chicago, a fine-dining establishment, agreed with Cates.

"We should give away a free meal if the customer has any problem that is the restaurant's fault," Lieberman said. "If the service is slow, if the order was not prepared or cooked properly, it is our responsibility."

John Winfrey, a Denny's manager in Little Rock, Ark., said that if the customer is unhappy, he deserves to be comped.

"It's my opinion that the customer, whether right, wrong or indifferent, is the boss," Winfrey said, "and he means to be taken of care the best way possible. I think comping is right in 90 percent of the cases."

But the remaining 10 percent of cases is what concerned some callers who, while agreeing in principal with comping, thought it should be done with caution and common sense.

"I believe there are no guidelines for giving away a free meal," said Todd Carson, a Bowling Green, Ky., Bresler's Ice Cream and Yogurt Shop franchisee. "But if you must give away half the store to a dissatisfied customer, then satisfy that customer, at least you'll have half of your store left.

"But if enough customers go out the door dissatisfied, then you'll just possibly loose the whole store."

Executive chef Carl Weier of the Waterbury Club in Waterbury, Conn., said that if a customer complains after eating more than half the meal, the restaurant will not comp it.

"If it's a kitchen problem or a dining room problem or the service is slow, we'll comp," Weier said. "But my basic rule of thumb is if half the meal or more is eaten, then the customer pays for it."

Joel Secrist, owner of Joel's, a family-themed restaurant in Escanaba, Mich., said his restaurant uses a percentage system to determine how much to comp.

"My managers use their discretion in evaluating the situation, and if they believe there is a problem, they determine the percentage of the comp up to 100 percent if they believe it will be beneficial for repeat business," Secrist said. "But if the complaint is centered around an individual's personal taste, we listen politely and thank him for his assistance."

Steven Josovitz, general manager of the upscale, "new age Italian" restaurant Fiasco, in Manhattan, said comping should be done only under "serious, serious" circumstances.

"If someone is coming for the pre-theater dinner and you can't serve it on time because of some large banquet or something, I think it justifies giving away a meal," Josovitz said. "If the delivery and production of the food are delayed an extremely long time, I think the customer deserves it."

MARKETING

Fast-food survey: Consumer chain loyalty a myth

Data reveals diners prefer to cross menu lines rather than stick to single chain routine

by Bill Carlino

BREA, Calif. — While full-service dinner houses and casual-theme restaurants traditionally boast a high percentage of repeat business, fast-food consumers in Los Angeles, San Francisco and Phoenix, Ariz., display little loyalty to specific chains, according to Fast-Track — a fast-food marketing survey.

"Fast-food customers are crossing menu lines," said Bob Sandelman of Sandelman & Associates, the firm based here that conducted the poll. "There's no such thing anymore as a strict 'burger user' or 'chicken user.' A regular fast-food burger consumer may not skip Wendy's to go to McDonald's, he may go to Carl's Jr. or El Pollo Loco instead."

> "There's no such thing anymore as a strict 'burger user' or 'chicken user.'"

Consumers who were polled in the Los Angeles Fast-Track segment and visit McDonald's at least once over the past month said they spend somewhat less than 25 percent of their entire monthly fast-food visits at McDonald's, while in San Francisco Burger King users dedicate more than 20 percent of their past month's visits to that operation.

Even Taco Bell, the 3,000-unit quick-service Mexican chain, could garner just 21 percent of its entire users' past month visits, according to the Phoenix Fast-Track, 22 percent in Los Angeles and about 24 percent in San Francisco.

According to Sandelman, none of the 17 chains included in the Fast-Track survey captured more than a 30-percent share of its users' fast-food visits over the past month in three markets surveyed.

"Basically, what the Fast-Track study shows is that marketing plans for the major chains should be developed on a local basis rather than a regional or national scope," Sandelman added. "Consumer preference can change noticeably in individual markets."

Conducted quarterly, Fast-Track monitors key consumer behavioral and attitudinal measures for major chains like McDonald's, Burger King, Wendy's, Subway, El Pollo Loco, Arby's, Carl's Jr. and Taco Bell.

Polling a total of 1,600 fast-food consumers in Los Angeles, San Francisco, and Phoenix who have visited a fast-food restaurant at least once over the past month, the Fast-Track survey asked the respondents 10 questions regarding their fast-food eating patterns.

The questions encompassed number of monthly visits to fast-food chains, brand and advertising awareness levels, chain loyalty and favorite chain overall.

Each question posed in the Fast-Track survey received a certain weighted percentage toward an overall score called the Composite Performance Index.

McDonald's received the highest CPI score in all three markets, with an average score of 87 followed by Taco Bell, Burger King and Jack-in-the-Box.

"Reasons for particular chain selection ranged from a convenient geographical location to fear of becoming stuck in a fast-food rut," said Sandelman, a former advertising and marketing executive.

Regional favorites like Carl's Jr. and In-N-Out Burger scored high in the Los Angeles market survey with a 22-percent and 16-percent user frequency mark respectively, while Jack-in-the-Box topped 20 percent in all three cities. Kentucky Fried Chicken scored highest in San Francisco with an 18-percent user frequency, while Wendy's enjoyed a 19-percent share in Los Angeles and San Francisco but dipped to nearly 17 percent in Phoenix.

Subway, the 4,000-unit national sandwich chain, scored relatively high in Los Angeles, with a 17-percent past-month visit percentage but dipped 3 percentage points in the San Francisco market because of strong Bay Area competition from TOGO's, a regional sandwich chain.

Said Sandelman, "Fast food is often an impulsive selection rather than a preplanned one."

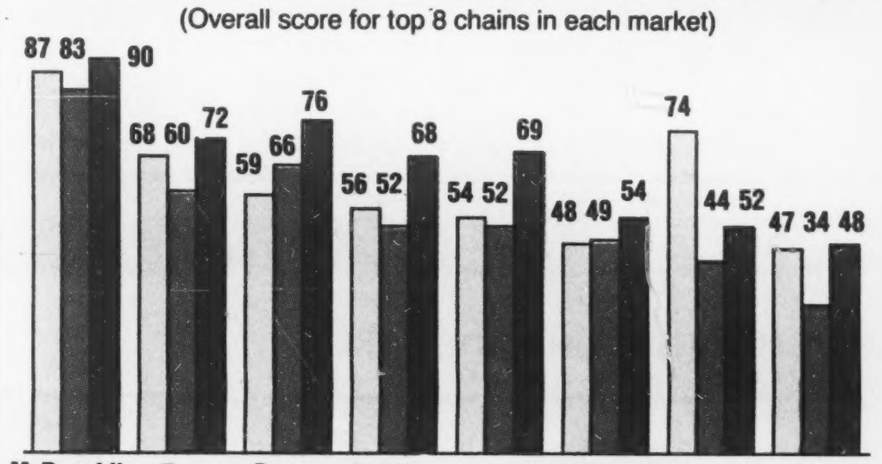
(Data reflects percentage share of past month fast-food visits to particular chain)

CHAIN	Los Angeles	San Francisco	Phoenix
McDonald's	24.5%	31.2%	25.9%
Taco Bell	22.5	23.7	21.6
Burger King	15.4	22.2	20.0
Jack-in-the-Box	18.9	22.2	20.9
Carl's Jr.	22.7	18.3	13.7
KFC	13.9	18.2	15.1
Wendy's	19.3	18.9	16.7
Subway	17.0	14.0	15.2

Source: Sandelman & Associates Fast-Track survey.

Fast-Track Composite Performance Index Chart

(Overall score for top 8 chains in each market)



Source: Sandelman & Associates Fast-Track survey.

AD WATCH

Tonight, do your dog a favor. Come to Ben Benson's.
Simply the finest steak house in New York... and a little extra.
Ben Benson's • 123 West 52nd Street • Open 7 days
Reservations: (212) 581-8888
Free indoor parking 5 p.m.-midnight, except Sundays

Sure beats kibble:

Renowned for its hearty portions, Ben Benson's, a 270-seat upscale steak house in New York City, encourages patrons to treat man's best friend to the leftovers via its personalized doggie bags. The ad appeared as a full-page spread in the New York Times.

"AdWatch" submissions should be either proofs, prints, or stills of a new print, direct mail, or television advertisement for a restaurant or restaurant chain, with accompanying information on the responsible agency name, if any, and the media time and placement schedule. Submissions should be sent to: Marketing Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.

MARKETING DIGEST

Riese uses 'diner' advertising

NEW YORK — The Riese Organization, operators and franchisors of about 350 restaurants under various nationally branded concepts, is offering advertising space literally everywhere in its restaurants — on menus, walls and the uniforms of the wait staff.

According to co-owner Murray Riese, the company has a yet-to-be-finalized agreement with the Phillip Morris Cos. to use the interior wall space of the restaurants for ads, while the Riese dinner-house concepts will have their menus fastened to the center of a start-up publication.

Other plans include positioning in the bar area TV monitors that will display news, weather and sports, spliced between paid advertisements.

Riese added that his organization is currently negotiating a deal with a major apparel marketing agency that would call for the serving staff to wear and or model lines of clothing.

Radisson targets Japanese guests

MINNEAPOLIS — In an effort to capture the rising number of Japanese business travelers, Radisson Hotels International is offering cultural amenities from Japan in the rooms of its San Jose, Calif., property.

When a Japanese guest arrives for check-in, the front desk staff asks whether he or she would like a Japanese newspaper or a native breakfast of vegetables, rice, and fried fish.

The hotel will also provide kimonos and guest slippers and stock the room's mini-bars with sake and several types of Japanese beers.

Little King rolls winter promo

OMAHA, Neb. — Little King Restaurants, a 100-unit fast-food operation based here, has launched "Some Like it Hot," a winter ad campaign spotlighting the chain's heated items — soup, pizza, chili and the Philly cheesesteak hero.

Advertising support for the promotion includes local radio spots, print ads, crew buttons, fliers and discount coupons.

The "Some Like it Hot" campaign will end in the spring.